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SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

ANNUAL AUDITED REPORT FORM X-17A-5 PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING	G April 1, 2005 MM/DD/YY	AND ENDIN	IG <u>March 31, 2006</u> MM/DD/YY
A. RI	EGISTRANT IDENTI	FICATION	And Suffering State of the Suffering State of
NAME OF BROKER-DEALER: CPS F:	inancial & Insuran	ce Services,	Se Se
ADDRESS OF PRINCIPAL PLACE OF BU	JSINESS: (Do not use P.O	. Box No.) \$0(€. •	IQA PANCES PROTECTION NO.
18551 Von Karman Avenue, Si	uite 150		
	(No. and Street)		
Irvine,	California		92612
(City)	(State)		(Zip Code)
NAME AND TELEPHONE NUMBER OF I Lisa Knoles	PERSON TO CONTACT II	REGARD TO TH	SREPORT 949-863-0700 x 108
			(Area Code - Telephone Number)
B. AC	COUNTANT IDENTII	FICATION	
NDEPENDENT PUBLIC ACCOUNTANT	whose opinion is contained	in this Report*	
George Brenner, CPA A Profes	ssional Corporation	l	
George Brenner, CPA A Profes	ssional Corporation (Name – if individual, state las		
George Brenner, CPA A Profes	(Name - if individual, state las		, CA 90064
	(Name - if individual, state las	, first, middle name)	1 1/202
10680 W. Pico Boulevard, Suit	(Name – if individual, state las	, first, middle name) Los Angeles	
10680 W. Pico Boulevard, Suit	(Name – if individual, state las	, first, middle name) Los Angeles	
10680 W. Pico Boulevard, Suit (Address) CHECK ONE:	(Name – if individual, state las te 260 (City) PROC	Los Angeles (St. SSSED)	(Zip Code) RECEWED
10680 W. Pico Boulevard, Suit (Address) CHECK ONE: Certified Public Accountant	(Name – if individual, state laste 260 (City) PROC JUN 2 THO	Los Angeles (St.) S 2006	(Zip Code) RECEWED

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)



OATH OR AFFIRMATION

Ι,	Lisa Knoles	, swear (or affirm) that, to the best of
my k	nowledge and belief the accompanying financial state CPS Financial & Insurance Services	ement and supporting schedules pertaining to the firm of s. Inc. , as
of _	March_31,	0 06, are true and correct. I further swear (or affirm) that
		officer or director has any proprietary interest in any account
No	ne	
Nava)	MICHELLE SHAW Commission # 1481863 Notary Public - California Orange County My Comm. Expires Apr 9, 2008	Signature Chief Financial Officer Title
	Notary Public	
	report ** contains (check all applicable boxes): a) Facing Page. b) Statement of Financial Condition. c) Statement of Income (Loss). d) Statement of Cash Flows. e) Statement of Changes in Stockholders' Equity or P. Statement of Changes in Liabilities Subordinated to Computation of Net Capital. b) Computation for Determination of Reserve Requires. f) Information Relating to the Possession or Control F. A Reconciliation, including appropriate explanation Computation for Determination of the Reserve Requires. f) A Reconciliation between the audited and unaudites.	ements Pursuant to Rule 15c3-3. Requirements Under Rule 15c3-3. of the Computation of Net Capital Under Rule 15c3-1 and the uirements Under Exhibit A of Rule 15c3-3.
☐ (n) An Oath or Affirmation. n) A copy of the SIPC Supplemental Report. A report describing any material inadequacies found.	to exist or found to have existed since the date of the previous audit

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CPS Financial & Insurance Services, Inc. Adjusting Journal Entries 3/31/06

P & L Effect		Dr.	Cr.
(6,966)	(1) State tax expense Federal tax expense Accrued tax liability	5,244 1,722	6,966
	To accrue tax liability @ 3/31/06		
(6,966)	Net increase/(decrease) to P & L		

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - MARCH 31, 2006

CPS FINANCIAL & INSURANCE SERVICES, INC. 18551 Von Karman Avenue, Suite 150 Irvine, CA 92612

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George Brenner, CPA

A Professional Corporation 10680 W. PICO BOULEVARD, SUITE 260 LOS ANGELES, CALIFORNIA 90064 310/202-6445 – Fax 310/202-6494

REPORT OF INDEPENDENT AUDITOR

Board of Directors CPS Financial & Insurance Services, Inc. Irvine, California

I have audited the accompanying statement of financial condition of CPS Financial & Insurance Services, Inc. (the Company) as of March 31, 2006 and related statements of operations, changes in shareholder's equity and cash flows and for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of March 31, 2006 and the results of its operations, changes in shareholder's equity and cash flows and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Los Angeles, California

Jeoga Brune

May 15, 2006

CPS FINANCIAL & INSURANCE SERVICES, INC. STATEMENT OF FINANCIAL CONDITION MARCH 31, 2006

ASSETS

Cash		
Checking	\$	23,822
Money Market		135,706
		159,528
Securities at Market Value		14,394
Accounts receivable		10,392
Property and equipment net of depreciation of \$1,426		1,381
Organization costs, net of amortization of \$7,315		0
NASD warrants		20,100
	,	
TOTAL ASSETS	\$	205,795
	;	
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Accounts payable - due parent company	\$	94,000
Accrued tax liability		12,356
TOTAL LIABILITIES	,	106,356
SHAREHOLDER'S EQUITY		
Common stock (\$1 par value, 100,000 shares		
authorized and issued; 6000 shares outstanding)		6,000
Contributed Capital		1,000
Retained earnings		92,439
TOTAL SHAREHOLDER'S EQUITY		99,439
TOTAL LIABILITIES AND SHAREHOLDED'S EQUITY	¢	205 705
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$	205,795

CPS FINANCIAL & INSURANCE SERVICES, INC. STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Commissions Mark to Market - Securities Other - Financial West Interest	\$	163,496 4,759 41,568 174
TOTAL REVENUES	\$	209,997
EXPENSES		
Management fee - Parent Co. Depreciation and amortization Dues and subscriptions Commission expense Professional services Rent Licenses and permits Telephone All other	\$	85,000 889 13,191 22,900 4,652 6,000 5,193 2,400 756
TOTAL OPERATING EXPENSES		140,981
INCOME BEFORE TAX PROVISION		69,016
INCOME TAX PROVISION		16,787
NET INCOME	\$:	52,229

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED MARCH 31, 2006

	Common Stock Shares	•	Common Stock		Paid-In Capital	Retained Earnings		Total Equity
Balance, March 31, 2005	6,000	\$	6,000	\$	1,000	\$ 40,210	\$	47,210
Net Income		_		_		52,229	-	52,229
Balance, March 31, 2006	6,000	\$ _	6,000	\$ _	1,000	\$ 92,439	\$.	99,439

CPS FINANCIAL & INSURANCE SERVICES, INC. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

Cash Flows from Operating Activities:					
Net income				\$	52,230
Depreciation and amortization	n				889
Unrealized appreciation				•	(4,560)
Changes in operating assets a	nd lia	abilitie	s:		
Accounts receivable					(5,586)
Income tax payable					10,679
Accounts payable - Pa	rent (Compa	ny	-	54,000
Net cash provided (used) in operating a	activi	ties			107,652
Cash Flows from Investing Activities -	Secu	rities,	net	_	0
Cook Flour from Firencina Astinition				_	
Cash Flows from Financing Activities: Subordinated loans					0
Subordinated loans				-	
Net increase in cash					107,652
Cash at beginning of year				-	51,876
Cash at end of year				\$	159,528
SUPPLEMENTAL INFORMATION					
Income Taxes:					
State taxes paid	\$		800		
State taxes accrued			5,244		
·				\$	6,044
Federal taxes paid			3,631		
Federal taxes accrued			7,112		
				_	10,743
				\$ _	16,787

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC. NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - NATURE OF BUSINESS

CPS Financial & Insurance Services, Inc. (the Company), a wholly owned subsidiary of CPS Insurance Services, is a wholesaler of variable insurance products to other NASD Regulation member broker/dealers registered with the Securities and Exchange Commission under SEC Rule 15c3-3(a)(2)(vi). The Company was incorporated in the state of California on April 1, 1996 under the name CPS Financial Services, Inc. On October 9, 1997, the Company changed its name to CPS Financial & Insurance Services, Inc.

On May 21, 1997 the Company was approved for membership by the National Association of Securities Dealers subject to the execution of the restriction agreement. The Company will only act as a wholesaler of variable insurance products to other NASD Regulation member broker/dealers. The Company does not hold customers' funds or securities. As a result, the Company is exempt from certain provisions and requirements of the Securities Exchange Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Equipment and Depreciation - Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over estimated economic lives which are generally five years.

Organization Costs - Organization costs are carried at cost and are amortized over five years.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CPS FINANCIAL & INSURANCE SERVICES, INC. NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes - Income taxes are provided based on earnings reported for financial statement purposes. In accordance with FASB Statement No. 109, the asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax basis and financial reporting basis of assets and liabilities. The income tax provision benefit is comprised as follows:

 State
 \$ 6,044

 Federal
 10,743

 \$16,787

NOTE 3 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital (\$5,000) or 6 2/3% of aggregate indebtedness whichever is greater as defined under such provisions. See page 8 for the computation of net capital.

NOTE 4 - RELATED PARTY

The Company was charged a management fee of \$85,000 by its parent company.

NOTE 5 - EXEMPTION FROM THE SEC RULE 15c3-3

CPS Financial & Insurance Services, Inc. sells variable insurance products to NASD members therefore the Company is exempt from provisions under the SEC Rule 15c3-3, Customer Protection – Reserves and Custody of Security under Rule 15c3-3 paragraph K 1.

In addition, the Company is exempt from the Possession or Control Requirements under Rule 15c3-3 paragraph K 1.

CPS FINANCIAL & INSURANCE SERVICES, INC. COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT TO RULE 15c3-1 MARCH 31, 2006

COMPUTATION OF NET CAPITAL		
Total ownership equity from statement of financial condition	\$	99,439
Nonallowable assets - schedule attached		(31,873)
Haircuts - schedule attached		(2,131)
NET CAPITAL	\$	65,435
COMPUTATION OF NET CAPITAL REQUIREMENTS		
Minimum net aggregate indebtedness -		
6.66% of net aggregate indebtedness	\$	7,093
Minimum dollar net capital required	\$	5,000
	Φ.	7.002
Net Capital required (greater of above amounts)	\$	7,093
EXCESS CAPITAL	\$	58,342
ENOLUS CHITTE	Ψ	
Excess net capital at 1000% (net capital less 10% of		
aggregate indebtedness)	\$	54,800
COMPUTATION OF AGGREGATE INDEBTEDNESS		
	•	106056
Total liabilities	\$	106,356
Descents on of a consects in debtedness to not conital		163%
Percentage of aggregate indebtedness to net capital		105/0
The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):		
NET CAPITAL PER COMPANY'S COMPUTATION		
Unaudited net capital	\$	72,406
Adjust income tax provision		(6,966)
Change in non-allowable assets	æ	(5)
	\$	65,435

CPS INSURANCE & FINANCIAL SERVICES, INC. NON-ALLOWABLE ASSETS MARCH 31, 2006

NON-ALLOWABLE ASSETS	
Accounts receivable	\$ 10,392
Furniture and equipment, NET	1,381
NASD warrants	20,100
	\$ 31,873
HAIRCUTS	
Stocks at market value \$14,175 @ 15%	\$ 2,126
Market Fund 219 @ 2%	5
	\$ 2,131

PART II

CPS FINANCIAL & INSURANCE SERVICES, INC.

STATEMENT OF INTERNAL CONTROL

MARCH 31, 2006

George Brenner, CPA

A Professional Corporation 10680 W. PICO BOULEVARD, SUITE 260 LOS ANGELES, CALIFORNIA 90064 310/202-6445 – Fax 310/202-6494

Report of Independent Auditor on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors CPS Financial & Insurance Services, Inc. Irvine, California

In planning and performing my audit of the financial statements of CPS Financial & Insurance Services, Inc. (hereafter referred to as the "Company") for the year ended March 31, 2006. I have considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debts) and net capital under Rule 17a-5(a)(11) and for determining compliance with the exemptive provisions of Rule 15c-3. I did not review the practice and procedures followed by the Company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and recordation of differences required by Rule 17a-13; (2) in complying with the Governors of Federal Reserve Regulation R of the Board of Governors of Federal Reserve System; or (3) in obtaining and managing physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structures and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practice and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide responsibility and safeguard against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles.

Board of Directors CPS Financial & Insurance Services, Inc. Irvine, California

Rule 171-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relationship to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the accounting system and control procedures that I considered to be material weaknesses as defined above. In addition, the Company, was in compliance with the exemptive provisions of Rule 15c3-3 as of March 31, 2006 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate on March 31, 2006 to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Regulation 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purposes.

Los Angeles, California

George Brenner

May 15, 2006